

NCA
VOC FOR IOP/FN
BACKGROUND NO. 5-5566
VERA HIRSCHBERG

MARCH 1, 1978

JANUARY'S CHILLING ECONOMIC STATISTICS

ANNCR:

COLD WEATHER, BLIZZARDS AND FLOODS LEFT THEIR CHILLING MARK ON THE UNITED STATES ECONOMY IN JANUARY, GOVERNMENT STATISTICS SHOW. BUT THERE WAS ONE BRIGHT SPOT: FARMERS GOT HIGHER PRICES FOR THEIR PRODUCTS. VOA'S VERA HIRSCHBERG HAS DETAILS IN THIS BACKGROUND REPORT.

VOICE:

THE LATEST ECONOMIC STATISTICS SENT A CHILL THROUGH WALL STREET (THE STOCK MARKET) AND INTERNATIONAL MONEY MARKETS, SENDING STOCKS TUMBLING AND THE DOLLAR DECLINING FURTHER. THERE WAS BAD NEWS ON THE INFLATION FRONT, WITH THE UNITED STATES DEPARTMENT OF LABOR REPORTING THAT CONSUMER PRICES INCREASED LAST MONTH BY EIGHT TENTHS OF A PERCENT. THAT WAS THE SHARPEST RISE IN NINE MONTHS, AND IT MEANT THAT AMERICAN CONSUMERS WERE PAYING ALMOST NINE PER CENT MORE ON AN ANNUAL BASIS FOR FOOD, HOUSING, TRANSPORTATION AND MEDICAL CARE.

WASHINGTON OFFICIALS, WHILE INDICATING THAT THE PRICE RISE WAS CAUSE FOR CONCERN, SAID IT WAS DUE TO BAD WEATHER AND OTHER SPECIAL FACTORS. PRESIDENT CARTER'S PRESS SECRETARY, JODY POWELL, SAID PRICES WERE HIGHER THAN IN PREVIOUS MONTHS, BUT ADDED THAT IT IS NOT SEEN AS A BASIC CHANGE IN THE UNDERLYING 6 TO 6.5 PER CENT ANNUAL INFLATION RATE."

MEANWHILE, OTHER ECONOMIC FIGURES RELEASED THIS WEEK IN WASHINGTON HAD GOOD NEWS FOR FARMERS BUT REFLECTED THE RAVAGES OF BAD WEATHER ON THE REST OF THE AMERICAN ECONOMY. THE AGRICULTURE DEPARTMENT REPORTED THAT PRICES FOR FARM PRODUCTS ROSE BY 3 PER CENT IN JANUARY. THIS IS THE FIFTH CONSECUTIVE

MONTH THAT FARM PRICES INCREASED. BUT THE COMMERCE DEPARTMENT REPORTS THAT ITS INDEX OF LEADING INDICATORS--TEN IMPORTANT ECONOMIC SIGNALS -- DROPPED BY 1.9 PERCENT IN JANUARY, AFTER SIX MONTHS OF INCREASES. THE DECLINE WAS THE STEEPEST IN THREE YEARS. UNITED STATES COMMERCE SECRETARY JUANITA KREPS SAID THE JANUARY DECLINE WAS DUE MORE TO BAD WEATHER THAN TO ECONOMIC TRENDS. HOWEVER, AS SHE PUT IT: "THE ADVERSE CLIMATE IN THE FIRST PART OF THE YEAR IS UNLIKELY TO HAVE ANY LASTING IMPACT ON GROWTH AND EMPLOYMENT FOR 1978."

COLD WEATHER AND HEAVY SNOWFALL THROUGHOUT MUCH OF THE COUNTRY SLOWED NEW FACTORY ORDERS, CONTRIBUTED TO THE DECLINE IN THE AVERAGE WORK WEEK AND TO THE DROP IN APPLICATIONS FOR BUILDING PERMITS. DECLINES IN STOCK PRICES, THE MONEY SUPPLY, AND PLANT AND EQUIPMENT ORDERS ALSO CONTRIBUTED ADVERSELY TO THE DROP IN THE INDEX OF KEY ECONOMIC INDICATORS.

JS/RCS